ID#: 12-MW-06-OH

State: Ohio

Applicant: State Treasurer of Ohio Josh Mandel

Program Category: Government Operations & Technology (Information Systems) or Government Operations & Technology (Revenue)

Program Name: Replacing Check Driving with eBanking Saves Ohio $100,000 Per Year

Administering Agency: State Treasurer of Ohio

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1. How long has this program operated (month and year)? Note: the program must be between 9 months and 5 years old as of April 5, 2012 to be eligible for this year’s award.

The Ohio Treasurer’s office began the process from switching from manually processing and driving checks to an electronic banking system in early 2011. However, the full switch to electronic check processing occurred at the beginning of the Fiscal Year on July 1, 2011.

2. Describe the program:

• Why was it created?
• Why is it a new and creative approach or method?
• What are the specific activities and operations of the program in chronological order?
• Is it effective? Provide tangible results and examples.
The Ohio Treasurer’s office collects, protects and invests public funds for the state, including processing thousands of payments made every day. Ohio Treasurer Josh Mandel assumed office on January 10, 2011, and launched a top-bottom review of the Treasurer’s office in order to improve operations and increase efficiency. This review found many ways to eliminate waste and leverage technology to improve services for taxpayers and the general public.

One of the things that Treasurer Mandel immediately identified as a problem was the system for processing and transporting checks. Treasurer Mandel was shocked to find out that there was an individual who actually physically drove checks received by the Treasurer’s office in Columbus, all the way up to the depository bank in Cleveland, on every business day of the year.

In the 2011 fiscal year, the Treasurer’s office processed and transported over a million checks, worth approximately $2.8 billion. This averaged out to approximately 89,000 checks worth $234 million per month for everything from car registration fees to state tax payments. These checks were being driven approximately 142 miles one way on Interstate 71 from Columbus to Cleveland, approximately 250 business days out of the year. In fact, they were not even being driven in a “Brinks” truck or other secure vehicle.

Treasurer Mandel asked, “If an individual or a small business in Ohio can deposit a check on their smart phone or personal computer, why can’t the State of Ohio?” The Treasurer launched an initiative to modernize check processing practices, which resulted in a new eBanking system in the Ohio Treasurer’s office for processing checks. This new electronic check processing system was officially launched on July 1, 2011, at the beginning of the state’s new fiscal year.

This new eBanking system has resulted in true savings and enhanced security of funds. After accounting for the one-time startup costs associated with new software and hardware related expenses, it is estimated that the total annual savings from implementing electronic banking will be over $100,000 per year. And more importantly, the new system significantly increases the security of taxpayer information and tax dollars. Today, 89,000 checks per month are no longer being driven across the state, instead these checks are electronically deposited via secure servers.

The switch to electronic check processing has also enabled more efficient treasury management. The Treasurer’s office now has extended business hours to add a second daily deposit, maximizing our ability to earn interest faster than ever before on deposited funds. The eBanking system allowed the office to deposit and begin investing and earning interest on approximately $7 million more in check deposits per day.

This switch from check driving to electronic banking has been very effective, and is one of the many ways that Treasurer Mandel has sought to bring the best in private sector business
practices to an often antiquated and bureaucratic state government infrastructure. In addition to achieving significant immediate cost savings, the switch has increased the security of tax dollars and limited the chance that personal information of Ohio taxpayers could be compromised.

3. **Did this program originate in your state? If YES, please indicate the innovators name, present address, telephone number and email address.**

We are not sure if Ohio was the first state to switch from manually processing checks and driving deposits, or if other states are doing this as well. However, Treasurer Mandel made the decision to utilize this new electronic banking system as part of an initiative to modernize banking practices in the Treasurer’s office, and as part of a drive to leverage technology. The Treasurer is always seeking to apply the best private sector business practices to state government, and made this decision for Ohio out of a belief that if businesses and individuals are benefitting from the convenience and security of electronic banking, state taxpayers should benefit as well.

4. **Are you aware of similar programs in other states? If YES which ones and how does this program differ?**

The Ohio Treasurer’s office is not aware of the banking processes being used by other states, and modeled our new electronic check processing system after the best private sector business practices.

5. **What limitations or obstacles might other states expect to encounter when attempting to adopt this program?**

Sometimes change in government is difficult to achieve because it can be easier to continue legacy processes simply because that is how it has been done in the past. In Ohio, Treasurer Mandel made the decision to invest in new technology and to upgrade our systems to modernize banking practices because he believed it to be cost effective and a matter of common sense. We were able to upgrade our systems and see a return on investment shortly thereafter, and believe that any obstacles we encountered were far outweighed by the security and cost benefits to Ohio taxpayers.